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Mannington Mills, Inc. v. Congoleum Corp.: A Perfect Storm of Extraterritoriality in Patent and Antitrust Law

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ABSTRACT

The invention of chemically embossed cushioned vinyl flooring revolutionized the flooring industry in the mid-1900s, and the patents on this technology became the basis for large-scale litigation between two of the industry's leaders. This is the story of Mannington Mills, Inc. v. Congoleum Corp.*—a case that implicated foreign patent rights and the territorial nature of patent law, the extraterritorial scope of U.S. antitrust law (at a time when this scope was changing and uncertain), competing doctrines of jurisdiction and abstention, and emerging international comity concerns. These legal issues combined to create a perfect storm of extraterritoriality by presenting unique, complex questions about how they should interact and fit together in a global context. This Note explores the historical and legal circumstances that led to the case and argues that the Third Circuit erred by not applying the act of state doctrine to the grant of a foreign patent and by instead formulating a new comity abstention doctrine.*

INTRODUCTION

Vinyl flooring is neither a common nor an exciting topic in everyday conversation. However, it was a conflict between two leaders in the flooring industry over vinyl flooring that resulted in one of the most interesting and complex patent cases of the twentieth century:

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Mannington Mills, Inc. v. Congoleum Corp.[1] This case arose over foreign patents covering revolutionary flooring technologies and involved complicated questions regarding the application of United States law in foreign countries. However, the Third Circuit provided a means for abstaining from exercising jurisdiction in the case by creating a new abstention doctrine based on principles of international comity, and the court declined to apply the act of state doctrine to the foreign patents. This Note's objectives are to tell the story of how a combination of patent law and antitrust law in a global context in *Mannington Mills, Inc.* created a perfect storm of extraterritoriality and to argue that the court should have applied the act of state doctrine rather than creating a new abstention doctrine based on principles of international comity.

This Note will begin by providing historical context for the case, including descriptions of the parties, the judges, the patents, and the significance of the case. Next, the legal context of the case will be explained, including: (1) the foreign licensing issues that led to the litigation, (2) the procedural history of the case and a brief outline of the *Mannington Mills, Inc.* opinion, and (3) an explanation of how the case presented a perfect storm of extraterritoriality.

Then, this Note will argue that, if the court was going to abstain from exercising jurisdiction in *Mannington Mills, Inc.*, it should have employed the act of state doctrine rather than have created a new comity abstention doctrine. This argument is based on the following assertions: that the act of state doctrine should be applied to foreign patents, that the creation of a comity abstention doctrine led to further confusion of the Sherman Act's extraterritorial jurisdiction, and that the act of state doctrine provided the Third Circuit with a more practical and, in hindsight, proper means of abstention.

This Note then concludes with a look at two factors that may have potentially contributed to the Third Circuit's decision to use the comity abstention doctrine rather than the act of state doctrine: a desire by the Third Circuit to shape the changing landscape of extraterritorial jurisdiction under the Sherman Act and an inherent bias by courts in favor of extraterritorial jurisdiction under the Sherman Act.

1. 595 F.2d 1287 (3d Cir. 1979).

I. HISTORICAL CONTEXT: THE PLAYERS AND THE PATENTS

A. The Parties: Mannington Mills and Congoleum

Mannington Mills, Incorporated was a private, family-owned, U.S. company in the flooring industry.[2] Mannington Mills had several major setbacks in the first half of the twentieth century,[3] but by the 1960s, the Mannington family business was doing very well and Mannington Mills was beginning to be recognized as a leader in the floor covering industry.[4] For example, in 1957, Mannington Mills started production of twelve-foot rotogravure vinyl felt-base floor covering, a venture that had never been attempted before but "was overwhelmingly successful" and "really rocked the industry."[5]

Congoleum Corporation was also a U.S. company in the flooring industry, but unlike Mannington Mills, Congoleum was a public company that had been involved in many mergers and acquisitions throughout its history.[6] In further contrast with Mannington Mills, Congoleum was a major player in the floor covering industry throughout the first half of the twentieth century but had fallen on hard times by the early 1960s as sales dropped.[7] Congoleum actually lost money in 1957, 1958, 1960, and 1961.[8] Congoleum was accused of being "moth-eaten" and its floor coverings described as "dogs" during a shareholders' meeting in 1960 after the company's annual dividend had been suspended two years prior.[9] However, just when it seemed as though

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2. *See Company History*, MANNINGTON MILLS, INC., http://www.mannington.com/Corporate/OurCompany/History (last visited Apr. 2, 2016) [hereinafter *Company History*, MANNINGTON MILLS, INC.]. Mannington Mills is currently under its fourth generation of private, family-ownership and just recently celebrated its centennial. *See also* Mannington Mills, Inc., *Mannington Centennial Video*, YOUTUBE (Jan. 4, 2016), https://www.youtube.com/watch?v=EB1tFsC3pJk (last visited Apr. 2, 2016).

3. *See* Mannington, *Company History*, *supra* note 2 ("Mannington survived two catastrophic fires[,] . . . a blizzard-related roof collapse[,] . . . two World Wars, the Great Depression, and several other major economic downturns.").

4. *See* MANNINGTON MILLS, INC., OUR FIRST 75 YEARS: THE HISTORY OF MANNINGTON MILLS (1990) [hereinafter OUR FIRST 75 YEARS] (discussing the history of the Mannington Mills, including changes in company policy, leadership, and manufacturing techniques).

5. *Id.* ("Work continued on the new 12-foot rotogravure vinyl plant and equipment . . . . Vinyl-Tex was introduced at the January 1958 Chicago Floor Covering market. It was overwhelmingly successful and it 'really rocked the industry.'").

6. *See* Robert Halasz, *Congoleum Corp.*, *in* 18 INTERNATIONAL DIRECTORY OF COMPANY HISTORIES 116, 116–18 (Jay P. Pederson ed., 1997). Congoleum Corp. has undergone several name changes throughout its history, but all such business entities will be referred to hereinafter as merely "Congoleum."

7. *See id.* at 116–17.

8. *See id.* at 117.

9. *Id.*

Congoleum was sure to lose its place of prominence in the flooring industry, Congoleum made the discovery of the century (as far as vinyl flooring is concerned).

B. The Judges: Weis, Weiner, and Adams

The opinion in *Mannington Mills, Inc.* was written by Circuit Judge Joseph F. Weis, Jr., which made him a sought-after member of many international legal forums.[10] Judge Weis also authored a number of important opinions in the field of legal ethics.[11] Judge Weis was "from a family strongly imbued with legal tradition."[12] His father was a prominent trial attorney who inspired Judge Weis's path into the legal profession,[13] and even after being granted senior status on the Third Circuit, Judge Weis continued to "profess great reverence" for his father.[14] Judge Weis studied law at the University of Pittsburgh, a path subsequently followed by two of his brothers, his son, and two of his nephews.[15] Shortly after graduating from law school, Judge Weis realized a lifelong dream when he partnered with his father to form Weis and Weis, a father-and-son law firm.[16] Judge Weis's three younger brothers later joined the firm, "creating a thriving family enterprise."[17]

District Judge Charles R. Weiner joined Judge Weis in his opinion. Judge Weiner was an "affable and fast-talking judge."[18] He had a legendary talent for settling cases and gained national attention when he was assigned in 1991 to handle all pending asbestos-related lawsuits, which included more than 100,000 cases at that time.[19] Judge Weiner

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10. *See Pitt Alumni Association Names 2011 Distinguished Alumni Fellows*, UNIV. PITTSBURGH (Feb. 21, 2011), http://www.news.pitt.edu/news/pitt-alumni-association-names-2011-distinguished-alumni-fellows.

11. *Id.*

12. Carol Los Mansmann, *Joseph F. Weis, Jr., A Gentlemanly Scholar*, 49 U. PITT. L. REV. 923, 926 (1988).

13. *See* WEST'S ENCYCLOPEDIA OF AMERICAN LAW 329 (Jeffrey Lehman & Shirelle Phelps eds., 2d ed. 2004).

14. Mansmann, *supra* note 12, at 926.

15. Mark A. Nordenberg, *Judge Joseph F. Weis, Jr.: A Humble Hero*, 49 U. PITT. L. REV. 931, 931 (1988).

16. *See* WEST'S ENCYCLOPEDIA OF AMERICAN LAW, *supra* note 13, at 329.

17. *Id.*

18. Shannon P. Duffy, *Charles Weiner, Federal Judge, Dead at Age 83*, LEGAL INTELLIGENCER (Nov. 11, 2005), http://www.thelegalintelligencer.com/id=900005440948?keywords=Federal+Judge&publication=The+Legal+Intelligencer.

19. *See id.*

never lost his love of education, earning both a master's degree and a doctorate while serving on the court.[20]

Circuit Judge Arlin M. Adams wrote the concurring opinion in Mannington Mills, Inc. Throughout his career, Judge Adams developed a national reputation as a "go-to mediator and investigator in high-profile legal matters."[21] He considered himself a conservative on the bench but a liberal on civil rights.[22] Judge Adams was on the short list three times for a seat on the United States Supreme Court,[23] one time being "told to wait by the phone for a call, which never came."[24] Though Judge Adams was not one to give up easily (for example, he gorged on bananas and ice cream for sixty days to gain weight for acceptance into the Navy after Pearl Harbor), he eventually gave up his pursuit for a seat on the Supreme Court because "he was unwilling to put his family through the process again," a process that had involved federal agents going so far as to question his mother's fellow nursing home patients as part of his background check.[25] Still, despite his great success, Judge Adams remained a humble man, choosing to ride buses rather than limousines, to eat home-packed lunches at his desk, and to sit in the coach section on flights, even when traveling to advise the government of Sri Lanka on drafting its constitution.[26]

C. The Patents

In the mid-1900s, sheets of resinous composition were widely used as decorative and wear-resistant coverings for floors, and it was common practice to emboss the surface of such sheets to give added decorative appeal and utility.[27] Traditionally, this embossing process was done with an embossing roll or plate which had to be engraved or otherwise treated to create the desired design in raised relief on the

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20. Gayle Ronan Sims, *Charles R. Weiner, 83, Federal Judge*, PHILLY.COM (Nov. 12, 2005), http://articles.philly.com/2005-11-12/news/25432099_1_settlement-plan-asbestos-lawsuits-public-servant.

21. Marc J. Zucker, *Arlin Adams, Federal Judge and Community Champion, Dies at 94*, FORWARD (Dec. 22, 2015), http://forward.com/news/breaking-news/327753/arlin-adams-federal-judge-and-community-champion-dies-at-94/.

22. Sam Roberts, *Arlin Adams, Federal Judge Three Times on Supreme Court Short List, Dies at 94*, N.Y. TIMES (Dec. 24, 2015), http://www.nytimes.com/2015/12/25/us/politics/arlin-adams-federal-judge-three-times-on-supreme-court-short-list-dies-at-94.html?_r=0.

23. *Id.*

24. E. N. Carpenter, II, *A Conversation with Judge Collins J. Seitz, Sr.*, DEL. LAW., Fall 1998, at 24, 33.

25. Roberts, *supra* note 22.

26. Zucker, *supra* note 21.

27. *See* U.S. Patent No. 3,293,094 col. 1 l. 23–26, 33–35 (filed Dec. 20, 1965).

sheet's surface, wherein it was necessary to heat the sheet or embossing surface and to press the design into the heat-softened sheet.[28]

In 1962, however, Congoleum introduced chemically embossed cushioned vinyl flooring that was the first of its kind.[29] This invention allowed for the production of a large range of resinous sheet products with embossed surfaces by simply applying a certain chemical to the surface in a desired design and then heating the composition to selectively decompose the chemical such that the resulting product is depressed or raised where the chemical was applied.[30] Congoleum's new vinyl flooring product was advertised as having "the cushiony softness, warmth and quiet of carpeting."[31] On December 20, 1966, Congoleum revolutionized the flooring industry when it received two patents[32] for chemically embossed cushioned vinyl floor covering.[33]

After the release of Congoleum's new product, Mannington Mills started its own research in June 1964 to determine if it could make a comparable cushioned vinyl floor product.[34] Mannington Mills continued this research even after Congoleum's patents were issued, but Mannington Mills admits that its "product wasn't as good as Congoleum's [product] and it was more expensive to produce."[35]

D. Impact of the Patents and Litigation

Congoleum's method of chemically embossing vinyl flooring had a profound impact on the floor covering industry. Even though Congoleum's new technology was patented, other businesses in the flooring industry, such as Mannington Mills, had to sell the product if they wished to stay relevant. It was no surprise that by the end of 1966, the year that Congoleum's patents were issued, Mannington Mills and

28. *See id.* at col. 1 l. 51–56.

29. *See* Halasz, *supra* note 6, at 117.

30. '094 Patent at col. 2 l. 60–72, col. 3 l. 1–2.

31. *See* Halasz, *supra* note 6, at 117.

32. *See* '094 Patent; U.S. Patent No. 3,293,108 (filed Oct. 22, 1965).

33. *See* OUR FIRST 75 YEARS, *supra* note 4 ("A research project was started in June 1964 to 'determine if [Mannington] could make a cushioned vinyl floor product.' But Congoleum was also doing research and they revolutionized the industry in 1966 when they received a patent for in-register, chemically embossed, cushioned vinyl floor covering."); Halasz, *supra* note 6, at 117; '094 Patent; '108 Patent.

34. *See* OUR FIRST 75 YEARS, *supra* note 4 ("A research project was started in June 1964 to 'determine if [Mannington] could make a cushioned vinyl floor product.'").

35. *Id.* ("Mannington continued their research efforts, but the product wasn't as good as Congoleum's and it was more expensive to produce.").

Congoleum were already involved in litigation over Mannington Mills' sales of products covered by those patents.[36]

The litigation between Mannington Mills and Congoleum proved to be very long and expensive, as it involved several cases and dragged on until 1981, when it finally settled for six million dollars.[37] During the litigation, Mannington Mills continued attempts to work around the Congoleum patent, even building new equipment and facilities for such purposes, but Mannington Mills' process was never successful.[38] Congoleum's patents for chemically embossed cushioned vinyl finally expired on December 12, 1983, and Mannington Mills celebrated the end of its royalty payments to Congoleum, which totaled over forty million dollars, with "one of its best parties ever."[39] Given the immensity of its battle with Congoleum, Mannington Mills had good reason for a celebration party, and "[l]ittle beverage spirits were required that evening because everyone attending already had naturally high spirits."[40]

For Congoleum, the development of its new technology came at a time of great need. Congoleum's discovery of chemically embossed cushioned vinyl proved to be "the savior of the company."[41] Following Congoleum's long drought of low sales and lost money in the 1950s and the beginning of the 1960s, Congoleum finally became profitable again starting in 1962 when its new product was released, and Congoleum

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36. *See id.* ("Mannington requested and received the first domestic license from Congoleum to produce the new cushioned vinyl product, which they called Vinyl-Ease. By November 1966, they were involved in litigation over the sale of Vinyl-Ease in foreign countries.").

37. *See id.* ("The 'Congoleum vs. Mannington' lawsuit, which started in 1966, was still dragging on in 1981. Mannington had received an adverse decision in 1977 and attempted to reach a settlement through negotiations. The litigation was finally settled for $6,000,000 in the fall of 1981.").

38. *See id.* ("Discussions were held in September 1977 for Project H-77. The purpose was to find a way to produce cushioned vinyl flooring without using the Congoleum chemical embossing method. The directors decided to build equipment and facilities for the new process, recognizing that even if it failed, it would create a building and equipment that could be used for other purposes. The process was never successful because of registration problems, but many lessons about coating applications were learned and the building and equipment were ready when they were needed for other uses.").

39. *Id.* ("On December 12, 1983, the Congoleum patent for cushioned vinyl expired. Soon afterward, one of the best Mannington parties ever was held to celebrate the Christmas season and the end of royalty payments of over $40,000,000.").

40. *See id.* ("[O]ne of the best Mannington parties ever was held to celebrate . . . the end of royalty payments [to Congoleum] . . . . Little beverage spirits were required that evening because everyone attending already had naturally high spirits.").

41. Halasz, *supra* note 6, at 117.

experienced record sales just three years later.[42] Congoleum's flooring patents were a lucrative source of income, earning $35 million in damages in 1976 from patent infringement litigation and $13.5 million in royalties in 1977.[43]

II. THE CASE: A PERFECT STORM OF EXTRATERRITORIALITY

A. Foreign Licensing Issues

Initially, Mannington Mills developed what appeared to be a favorable licensing agreement with Congoleum. Prior to the issuance of Congoleum's patents, chemically embossed vinyl flooring was being manufactured and sold in the United States and abroad by not only Congoleum but also Mannington Mills and other companies.[44] On the day that the patents issued, Congoleum filed patent infringement suits against Mannington Mills and two other major businesses in the flooring industry.[45] Congoleum's patent infringement suit against Mannington Mills settled in 1968 when Mannington Mills took a license.[46] This was the first domestic license that Congoleum issued for its new product,[47] and this license also granted Mannington Mills the right to sell the product in twenty foreign countries.[48]

In light of Congoleum's subsequent license agreements with other companies, however, Mannington Mills' licensing deal appeared less favorable. Specifically, in early 1970, Congoleum issued a license under its U.S. patents and twenty-six of its foreign patents to GAF Corporation, one of Mannington Mills' competitors, for its chemically embossed vinyl product.[49] In particular, GAF was given the right to sell in six countries where Mannington Mills was not licensed: Canada, Australia, New Zealand, Japan, Ireland, and Holland.[50] Mannington Mills wished to expand its foreign license rights and feared that it would otherwise be "unable to compete effectively" with other licensees.[51] The president of Mannington Mills indicated to Congoleum's

42. *See id.*
43. *Id.* at 118.
44. *See* Mannington Mills, Inc. v. Congoleum Indus., Inc., 610 F.2d 1059, 1061 (3d Cir. 1979).
45. *See* Mannington Mills, Inc. v. Congoleum Indus., Inc., No. 74-1668, 1977 U.S. Dist. LEXIS 12973, at *4 (D.N.J. Nov. 11, 1977).
46. *See id.*
47. OUR FIRST 75 YEARS, *supra* note 4.
48. *See Mannington Mills, Inc.*, 610 F.2d at 1062.
49. *Id.*
50. *Id.*
51. *Id.* at 1063.

patent counsel in November of 1970 that Mannington Mills would have to go ahead and sell in Canada, and in his reply, Congoleum's patent counsel insinuated that Congoleum would respond to such an act by Mannington Mills by suing for infringement.[52]

Regardless of the fact that Mannington Mills was not formally licensed to do so, Mannington Mills continued or commenced sales of Congoleum's patented product in Canada, Australia, New Zealand, and Japan.[53] This blatant patent infringement of Congoleum's foreign patents was an important part of Mannington Mills' business, as Mannington Mills' export sales accounted for about 20 percent of its total sales in the mid-1970s, and about 80 percent of its foreign sales were made in Canada, Australia, New Zealand, and Japan.[54] In light of Mannington Mills' brash behavior, Congoleum cancelled Mannington Mills' foreign license rights and eventually brought infringement actions against Mannington Mills in all four countries where it had been selling without a license.[55]

B. Procedural History and the Third Circuit's Opinion

In response to Congoleum's canceling of the foreign license agreement between Mannington Mills and itself, Mannington Mills brought suit against Congoleum in the United States District Court for the District of New Jersey in 1974, seeking to compel the continuation of the foreign license agreement and also to secure license rights in the six additional foreign countries included in Congoleum's foreign license agreement with GAF.[56] The district court found for Congoleum on this license claim.[57] In that same case, however, Mannington Mills sought leave to file an amended complaint setting forth Sherman Act claims.[58] The district court granted leave for all of these Sherman Act claims except one, which Mannington Mills subsequently filed in a separate suit that forms the basis of this Note.[59]

In this second suit, Mannington Mills alleged that (1) Congoleum procured its twenty-six foreign patents through "fraudulent

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52. *Id.* at 1064.

53. *See id.* at 1064–65.

54. *See* Mannington Mills, Inc. v. Congoleum Indus., Inc., No. 74-1668, 1977 U.S. Dist. LEXIS 12973, at *17 (D.N.J. Nov. 11, 1977).

55. *See Mannington Mills, Inc.*, 610 F.2d at 1065.

56. *See id.*

57. *See* Walter S. Weinberg, Note, Mannington Mills, Inc. v. Congoleum Corp.: *A Further Step Toward a Complete Subject Matter Jurisdiction Test*, 2 NW. J. INT'L L. & BUS. 241, 246 n.19 (1980).

58. *Id.*

59. *Id.*

representations"[60] to foreign patent offices and (2) Congoleum's enforcement of the fraudulently obtained foreign patents in foreign countries restrained U.S. export trade by restricting the foreign business of Mannington and other U.S. competitors and also demonstrated an intent to monopolize, thereby violating the Sherman Act.[61] Mannington Mills sought treble damages and asked that Congoleum be enjoined from enforcing its allegedly fraudulently procured foreign patents in foreign jurisdictions.[62] The district court dismissed Mannington Mills' antitrust claim, stating that "to enjoin Congoleum from enforcing its foreign patents in other nations . . . would violate the act of state doctrine."[63]

On appeal, the Third Circuit vacated the district court's dismissal of the antitrust claim and remanded.[64] In the first part of its three-part opinion, the Third Circuit held that it did have subject matter jurisdiction over the litigation by essentially applying the *Alcoa* "intended effects" test.[65] The court proceeded to analyze whether it should decline to exercise its jurisdiction extraterritorially. In the second part of the opinion, the Third Circuit held that the act of state doctrine does not apply to foreign patents and that the doctrine therefore did not support dismissal of Mannington Mills' complaint.[66] In

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60. Mannington Mills, Inc. v. Congoleum Corp., 595 F.2d 1287, 1290 (3d Cir. 1979). Mannington Mills alleged that Congoleum made fraudulent representations in the following general categories:

1. False statements about the reactions and performance of some of the chemical compounds of the vinyl flooring;
2. Misrepresentation of test data;
3. Suppression of information critical to the practice of the invention;
4. Misleading statements about the status and contents of the United States patent applications.

Id.

61. *See id.*; William N. Friedler, Case Comment, *Antitrust Law – Extraterritorial Jurisdiction,* Mannington Mills, Inc. v. Congoleum Corp., 4 SUFFOLK TRANSNAT'L L.J. 185, 185–86 (1980); *cf.* Sherman Antitrust Act, 35 U.S.C. § 2 (1976). The complaint also alleged that "Congoleum's false claims of priority dates were in violation of the Paris Convention of March 20, 1883, *as amended,* [1962] 13 U.S.T 1, and the Pan-American Convention of August 20, 1910, 38 Stat. 1811." *Mannington Mills, Inc.*, 595 F.2d at 1290. The district court dismissed this treaty count on the ground that the treaties do not provide a private right of action, and the Third Circuit affirmed the dismissal. *See id.* at 1298–99.

62. *See Mannington Mills, Inc.*, 595 F.2d at 1291, 1296.

63. *Id.* at 1290.

64. *Id.* at 1299.

65. *See id.* at 1291–92; United States v. Aluminum Co. of Am. (Alcoa), 148 F.2d 416, 443–45 (2d Cir. 1945).

66. *See Mannington Mills, Inc.*, 595 F.2d at 1294. The Third Circuit also found that the foreign compulsion defense was not available because the foreign governments, by issuance of the foreign patents per se, did not force Congoleum to exclude Mannington Mills from the foreign markets. *See id.*

the third part of the opinion, the Third Circuit held that international comity considerations must be weighed in deciding whether or not to exercise extraterritorial jurisdiction under the Sherman Act.[67] Relying on the approach in *Timberlane Lumber Co. v. Bank of America* of balancing comity factors as part of a jurisdictional test under the Sherman Act, [68] the Third Circuit proposed its own comity factors to be weighed and remanded the case for the development of a more adequate record and to allow the district court to implement the comity abstention doctrine formulated by the Third Circuit.[69]

C. A Perfect Storm

Mannington Mills' sale of Congoleum's patented product in certain foreign countries was necessary for Mannington Mills to keep the business of its distributors and keep its foothold in the industry, despite the fact that Mannington Mills did not have license rights in those countries.[70] Thereafter, Congoleum was compelled to enforce its foreign patents against Mannington Mills to turn Congoleum's business around and to avoid the risk of other competitors in the flooring industry following Mannington Mills' bold example. The litigation between Mannington Mills and Congoleum involved several fields of law.

In general, a sovereign's laws are territorial.[71] However, *Mannington Mills, Inc.* involved many international issues, including

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67. *See id.* at 1297–98.

68. *Id.*

69. *Id.* The comity factors proposed by the Third Circuit include:

1. Degree of conflict with foreign law or policy;
2. Nationality of the parties;
3. Relative importance of the alleged violation of conduct here compared to that abroad;
4. Availability of a remedy abroad and the pendency of litigation there;
5. Existence of intent to harm or affect American commerce and its foreseeability;
6. Possible effect upon foreign relations if the court exercises jurisdiction and grants relief;
7. If relief is granted, whether a party will be placed in the position of being forced to perform an act illegal in either country or be under conflicting requirements by both countries;
8. Whether the court can make its order effective;
9. Whether an order for relief would be acceptable in this country if made by the foreign nation under similar circumstances;
10. Whether a treaty with the affected nations has addressed the issue.

Id.

70. *See* Mannington Mills, Inc. v. Congoleum Indus., Inc., 610 F.2d 1059, 1063–64 (3d Cir. 1979).

71. *See* Donald J. Curotto, Comment, *Extraterritorial Application of the Antitrust Laws and Retaliatory Legislation By Foreign Countries*, 11 GOLDEN GATE U. L. REV. 577, 577 (1981).

foreign patents rights, alleged monopolization of U.S. export trade, foreign licensing issues, and allegations of fraud in dealings with foreign countries.[72] Patent law is based strongly on territorial principles[73] because "[s]o far, no good system exists to harmonize the patchwork of international laws and regulations for patent protection worldwide."[74] On the other hand, the Sherman Act and its legislative history are ambiguous as to the scope of any extraterritorial jurisdiction conferred; § 2 of the Sherman Act in particular does not explicitly provide for or preclude its application to conduct that takes place entirely abroad.[75] Thus, at the time of *Mannington Mills, Inc.*, judge-made rules governed extraterritorial jurisdiction under the Sherman Act, and the scope of this extraterritorial jurisdiction was in flux.[76] Foreign countries had begun to take retaliatory measures in response to the lack of limitations on the foreign application of the Sherman Act.[77]

The litigation between Mannington Mills and Congoleum implicated foreign patent rights and the territorial nature of patent laws, the extraterritorial scope of U.S. antitrust law (at a time when this scope was changing and uncertain), competing doctrines of jurisdiction and abstention, and emerging international comity concerns, the combination of which presented Judges Weis, Weiner, and Adams with unique, complex questions about how these legal issues should interact and be applied in a global context—a perfect storm of extraterritoriality.[78]

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72. *See* 595 F.2d at 1290.

73. *See* Merial Ltd. v. Cipla Ltd., 681 F.3d 1283, 1302 (Fed. Cir. 2012) (recognizing "the fundamental territoriality of U.S. patent law"); MARKETA TRIMBLE, GLOBAL PATENTS: LIMITS OF TRANSNATIONAL ENFORCEMENT 2 (2012) ("The existing fragmented patent systems rest on the principle of territoriality . . . .").

74. Steven Seidenberg, *Patent Peace: The PTO Creates a New Office to Harmonize the Global Patent System*, A.B.A. J., Oct. 2014, at 13.

75. *See Mannington Mills, Inc.*, 595 F.2d at 1291; Sherman Antitrust Act, 15 U.S.C. § 2 (1976).

76. *See Mannington Mills, Inc.*, 595 F.2d at 1291 ("The extraterritorial application of the Act . . . has been and continues to be the subject of lively controversy."); *see also* Curotto, *supra* note 71, at 583, 586. Note that *Mannington Mills, Inc.* was decided before the enactment of the Foreign Trade Antitrust Improvements Act, 15 U.S.C. § 6a (1982), which clarified the extraterritorial reach of the Sherman Act.

77. *See* Curotto, *supra* note 71, at 579, 583.

78. *E.g.*, John H. Chung, Comment, *The International Antitrust Enforcement Assistance Act of 1994 and the Maelstrom Surrounding the Extraterritorial Application of the Sherman Act*, 69 TEMP. L. REV. 371, 395 (1996) ("The *Mannington* decision epitomizes the complexity surrounding Sherman Act jurisdiction over international antitrust disputes.").

III. THE THIRD CIRCUIT'S BLUNDER: WHY THE ACT OF STATE DOCTRINE WAS A BETTER CHOICE THAN THE NEW COMITY ABSTENTION DOCTRINE

Mannington Mills, Inc. presented the Third Circuit with several difficult questions. One of the major issues that the court had to resolve was how to rule on the several abstention doctrines implicated by the case. Ultimately, the court held that, as far as extraterritorial jurisdiction under the Sherman Act is concerned when foreign patents are involved, the act of state doctrine does not apply, but a comity abstention doctrine is appropriate.

It is arguable that the Third Circuit erred in its ruling. The court's opinion fails to provide sufficient reasoning for not applying the act of state doctrine. The act of granting a patent should have actually qualified as an act of state, and it would have been appropriate to employ the act of state doctrine in the *Mannington Mills, Inc.* case. It was foreseeable that the creation of a comity abstention doctrine by the Third Circuit would have only worsened the confusion surrounding extraterritorial jurisdiction under the Sherman Act at the time. Also, the act of state doctrine was a more practical choice than the comity abstention doctrine, and, in retrospect, it is now fairly clear that the Third Circuit would have been wiser to use the act of state doctrine rather than create its new comity abstention doctrine.

A. Background: Act of State Doctrine

"The Act of State doctrine is a policy of judicial abstention from inquiry into the validity of [a sovereign] act by a foreign government."[79] From *Underhill v. Hernandez*,[80] the case in which the act of state doctrine was initially formulated, comes the classic U.S. statement of the doctrine: "Every sovereign State is bound to respect the independence of every other sovereign State, and the courts of one country will not sit in judgment on the acts of the government of another, done within its own territory."[81] According to earlier expressions of the act of state doctrine, the underlying rationale of the doctrine was that "the merits of acts by other nation-states should not be questioned by U.S. courts based on inherent notions of sovereignty

79. 7 JOHN GLADSTONE MILLS III, ET AL., PAT. L. FUNDAMENTALS § 21.4 (2d ed. 2016).

80. 168 U.S. 250 (1897).

81. *Id.* at 252. Kathleen Karelis, Comment, *The Act of State Doctrine: Reconciling Justice and Diplomacy on a Case-By-Case Basis*, 43 U. MIAMI L. REV. 1169, 1172 (1989); Susan H. Kamei, Recent Decision, *The Act of State Doctrine and U.S. Antitrust Law:* Mannington Mills, Inc. v. Congoleum Corp., 12 LAW & POL'Y INT'L BUS. 503, 509 (1980).

and comity."[82] Starting in *Banco Nacional de Cuba v. Sabbatino*,[83] however, a little more than a decade before *Mannington Mills, Inc.*, courts had begun to develop a concomitant rationale of the act of state doctrine that was concerned more with "preserving the 'basic relationships between branches of government in a system of separation of powers' by not hindering the Executive's conduct of foreign policy through judicial review or oversight of foreign acts."[84]

B. The Third Circuit Failed to Provide Sufficient Reasoning for Not Applying the Act of State Doctrine

The Third Circuit did not provide adequate reasoning in *Mannington Mills, Inc.* for not applying the act of state doctrine to foreign patents, especially with respect to the relationship of foreign patents to the theories behind the doctrine. It was simply "without apparent compelling grounds" that the Third Circuit "restrict[ed] dramatically the act of state doctrine."[85] The court seemed to rely on a distinction between the grant of a patent and an act of expropriation, which was the kind of act that had traditionally qualified as an act of state under the doctrine,[86] but the court did not expound this distinction for purposes of the act of state doctrine.[87] In addition to distinguishing the grant of a patent from qualifying acts of state without adequate explanation, the court also implied that the grant of a patent was analogous to acts which had been denied act of state status.[88] This was not expressly stated, however, much less explained. Regardless of whether the Third Circuit adequately explained the differences and similarities of the grant of a patent with acts that do and do not qualify under the act of state doctrine, it was inappropriate in the first place for the court to base such a large portion of its decision on the mechanical characterization of the act in question.[89] Such characterizations may

82. Kamei, *supra* note 81, at 510 (citing Oetjen v. Central Leather Co., 246 U.S. 297, 303–04 (1918)).

83. 376 U.S. 398 (1964).

84. Kamei, *supra* note 81, at 510–11 (quoting *Sabbatino*, 376 U.S. at 423).

85. *Id.* at 515.

86. *See* Mannington Mills, Inc. v. Congoleum Corp., 595 F.2d 1287, 1294 (3d Cir. 1979); Kamei, *supra* note 81, at 506.

87. Michael J. Bazyler, *Abolishing the Act of State Doctrine*, 134 U. PA. L. REV. 325, 358 (1986) ("[T]he court did not elucidate the distinction, for purposes of the doctrine, between a government's act of expropriation and a government's issuance of a patent.").

88. Kamei, *supra* note 81, at 506; *see Mannington Mills, Inc.*, 595 F.2d at 1294.

89. *See* Kamei, *supra* note 81, at 510.

serve as helpful indicia for act of state determinations, but they should not be treated as conclusive.[90]

The Third Circuit should have evaluated the act of granting a patent "in light of the theoretical base underlying the act of state doctrine,"[91] which is an evaluation that the court erroneously forewent.[92] The Third Circuit's act of state doctrine analysis in *Mannington Mills, Inc.* seems rather conclusory, as the court held that "the granting of the patents per se, in substance ministerial activity, is not the kind of governmental action contemplated by the act of state doctrine."[93] In dealing with a concept as amorphous as the act of state doctrine, the Third Circuit should have been more careful to enunciate its reasoning for why the doctrine does or does not apply to foreign patents.[94]

C. The Grant of a Patent Should Qualify As an Act of State

The act of granting a patent should have been deemed to qualify as an act of state under the act of state doctrine in *Mannington Mills, Inc.* based on either the characterization of the act or the evaluation of the act in light of the underlying rationales for the act of state doctrine. As for characterization, a leading case from the Second Circuit in 1956 had suggested that the act of state doctrine was applicable to foreign trademark registrations and thus, by analogy, to patents as well.[95] Additionally, the act of granting a patent is similar to an act of expropriation by a government, which had traditionally qualified as an act of state under the doctrine,[96] in that the granting of a patent is also a sovereign act.[97] The Third Circuit attempted to characterize the

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90. *Id.* at 514.

91. *Id.* at 510, 514.

92. *Mannington Mills, Inc.*, 595 F.2d at 1292–94 ("We conclude, therefore, that the asserted act of state defense does not support dismissal of plaintiff's complaint and it does not apply to the patents issued in the foreign countries."). The theoretical motivations underlying the act of state doctrine are discussed only briefly at the beginning of part II of the opinion; furthermore, that discussion is about the theoretical motivations generally and not how they relate to the act of granting a patent. *See id.*

93. *Id.* at 1294.

94. *See* Kamei, *supra* note 81, at 515.

95. *See* 8 ERIC E. BENSEN, PATENT LAW PERSPECTIVES § 17.3, n.130 (2d ed. 2015) (citing Vanity Fair Mills v. T. Eaton Co., 234 F.2d 633 (2d Cir. 1956)).

96. *See* Kamei, *supra* note 81, at 510.

97. Uwe Fitzner, *Laws and Regulations for the Protection of Biotechnological Inventions*, *in* MICROBIAL PROCESSES AND PRODUCTS 465, 478 (José Luis Barredo ed., 2005) ("The granting of a patent is a sovereign act; . . . ."); DAVID KENNETH LEARY, INTERNATIONAL LAW AND THE GENETIC RESOURCES OF THE DEEP SEA 178 (2006) ("the very act of granting a patent is a sovereign act").

granting of a patent and expropriation differently by characterizing the granting of a patent as a "ministerial activity" rather than an act such as expropriation that occurs "as a result of a considered policy determination by a government to give effect to its political and public interests—matters that would have significant impact on American foreign relations."[98] However, the grant of patent rights is directly related to a country's patent laws, which are considered policy determinations by a country's government to give effect to its political and public interests matters relating to intellectual property and commerce, and such matters are likely to have an impact on U.S. foreign relations with that country.

Furthermore, merely characterizing the grant of a patent as a "ministerial activity" did not preclude the act from qualifying as an act of state under the act of state doctrine. Certain acts could be characterized as "ministerial" and yet still qualify for act of state status under a less restrictive approach to the act of state doctrine.[99] Some ministerial activities had even been characterized as acts of state under the doctrine in prior cases.[100] In a 1964 decision, the Second Circuit suggested that "internal administrative acts," which are comparable or perhaps identical to ministerial activities, would warrant the act of state defense.[101]

In addition to the characterization of the act of granting a patent, the evaluation of this act in light of the underlying rationales of the act of state doctrine also shows that the grant of a patent should be given act of state status under the doctrine. The "comity and sovereignty" rationale[102] for the act of state doctrine provided support for applying the doctrine to the grant of foreign patents because comity conflicts may arise when U.S. courts declare valid foreign patents effectively invalid by U.S. standards.[103] A foreign sovereign's act of granting a patent would have been detrimentally affected by a ruling in a U.S. court restricting the use of such foreign patents,[104] thereby giving rise to

98. Mannington Mills, Inc. v. Congoleum Corp., 595 F.2d 1287, 1294 (3d Cir. 1979).

99. *See* Kamei, *supra* note 81, at 515.

100. *See, e.g.*, Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena, 293 F. Supp. 892, 906, 909–12 (S.D.N.Y. 1968) (holding that though the "[t]ransfer of the domicile of . . . private corporations from one state to another [had] always been treated as a ministerial matter," such a transfer of domicile could qualify as an act of state under the doctrine).

101. Victory Transport, Inc. v. Comisaria General de Abastecimientos y Transportes, 336 F.2d 354, 360 (2d Cir. 1964).

102. *See supra* Part IV.A.

103. *See* Friedler, *supra* note 61, at 198; *supra* Part IV.D (explaining how enjoining Congoleum from enforcing its foreign patents based on U.S. antitrust law would effectively invalidate the foreign patents).

104. *See* Weinberg, *supra* note 57, at 258.

comity conflicts and thus providing for application of the act of state doctrine based on the "comity and sovereignty" rationale. Moreover, to characterize the act of granting a foreign patent as a "ministerial activity," which, according to the Third Circuit, precludes application of the act of state doctrine, was to dismiss the possible importance of the grant of a patent to a particular issuing country,[105] thus providing further support for application of the act of state doctrine based on the "comity and sovereignty" rationale.

The "separation of powers" rationale[106] for the act of state doctrine provided support for applying the doctrine to the grant of foreign patents as well. A U.S. court's adjudication of matters involving the validity of foreign patents, which the act of state doctrine would have precluded if it applied to the act of granting a patent, would likely have led foreign countries to retaliate in ways similar to how some countries retaliated to the expansive extraterritorial jurisdiction of the Sherman Act before it was checked by comity considerations.[107] For example, it is very likely that vigorous foreign protest would follow the awarding of treble damages by a U.S. court for enforcement abroad of foreign patents.[108] Such retaliation and protest in response to judicial action could violate the separation of powers by hindering the executive's conduct of foreign policy.[109] Not applying the act of state doctrine to the act of granting a patent effectively "permit[s] the validity of the acts of one sovereign State to be reexamined and perhaps condemned by courts of another," which "'imperil[s] the amicable relations between governments and vex[es] the peace of nations'"[110] and is thus adverse to the concerns of the "separation of powers" rationale.

D. Act of State Doctrine, Walker Process, and Foreign Patent Validity

Assuming that the grant of a patent qualifies as an act of state under the act of state doctrine, as argued in Part IV.C., then the next step in determining if the act of state doctrine should be employed in a case involving foreign patents is to determine if the validity of a foreign patent is being adjudged in the case. (Remember from Part IV.A. that

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105. *Id.* at 253.

106. *See supra* Part IV.A.

107. *See* Curotto, *supra* note 71, at 579, 583; *see also infra* Part IV.E.

108. 8 BENSEN, *supra* note 95, § 17.3.

109. *See supra* Part IV.A.

110. Oetjen v. Central Leather Co., 246 U.S. 297, 304 (1918) (internal quotation unsupported); *see infra* Part IV.D (explaining how enjoining Congoleum from enforcing its foreign patents based on U.S. antitrust law would effectively invalidate the foreign patents).

the act of state doctrine is a policy of abstention from inquiring into the validity of a qualifying act of state.) At first glance, *Mannington Mills, Inc.* appears to not implicate the validity of Congoleum's foreign patents. *Mannington Mills, Inc.* was not a declaratory judgment suit or infringement suit, which courts generally abstain from adjudicating so as to avoid deciding the validity of foreign patents.[111] Mannington Mills emphasized that it was not challenging "the right of a foreign government to confer patents under its own requirements," and Mannington Mills "[did] not seek to have the [foreign] patents at issue adjudged invalid."[112] Rather, Mannington Mills' claims were said to arise out of breach of standards imposed by U.S. antitrust law.[113]

However, the validity of Congoleum's foreign patents was nonetheless implicated in *Mannington Mills, Inc.* In the case, Mannington Mills sought to extend the doctrine of *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*[114] to foreign patents.[115] The Supreme Court held in *Walker Process* that the fraudulent procurement of a domestic patent could constitute an antitrust violation.[116] If the *Walker Process* doctrine were extended to foreign patents, then Mannington Mills' claim that Congoleum fraudulently procured foreign patents could constitute a Sherman Act violation as alleged. If Mannington Mills were to be granted the treble damages and injunctive relief it sought for Congoleum's enforcement abroad of its foreign patents, then the validity of Congoleum's foreign patents would be indirectly adjudged[117] and those patents would be rendered useless because "an unenforceable patent is of little value to an American company."[118] Thus, *Mannington Mills, Inc.* implicated the legitimacy of Congoleum's foreign patents even though Mannington Mills was not asking the court to directly adjudge their validity according to foreign patent laws. It would have therefore been appropriate for the act of state doctrine to be employed in the case, thereby preventing the Third Circuit from perceivably and effectively

111. *See* TRIMBLE, *supra* note 73, at 43.

112. Mannington Mills, Inc. v. Congoleum Corp., 595 F.2d 1287, 1290 (3d Cir. 1979).

113. *Id.* at 1290–91.

114. 382 U.S. 172 (1965).

115. *Mannington Mills, Inc.*, 595 F.2d at 1295.

116. Friedler, *supra* note 61, at 191.

117. The enforceability of a foreign patent based on a *Walker Process* claim under the Sherman Act is distinct from the validity of the foreign patent under the foreign nation's patent laws (for example, fraudulent procurement may not be grounds for invalidating the foreign patent under the foreign nation's patent law), but a finding that a foreign patent was fraudulently procured would undoubtedly place a cloud of suspect on the validity of that patent.

118. Weinberg, *supra* note 57, at 253.

invalidating Congoleum's foreign patents through determining whether Congoleum should be enjoined from enforcing them abroad.

E. Background: Comity and Extraterritorial Jurisdiction Under the Sherman Act

Comity is the principle that states should recognize and enforce rights created by other states, provided that neither the enforcing state nor its subjects are prejudiced by such recognition.[119] To understand the comity abstention doctrine in *Mannington Mills, Inc.*, it is necessary to look at the development of extraterritorial jurisdiction under the Sherman Act. The Sherman Act and its legislative history do not provide any clear indication of the extraterritorial application of the Act, so the matter was left to the courts to decide.[120] The Supreme Court summarily applied the Sherman Act extraterritorially in *United States v. American Tobacco Co.*[121] in 1911.[122] In *United States v. Aluminum Co. of America* (*Alcoa*),[123] Judge Learned Hand formulated an "intended effects" test for determining the jurisdiction of a court applying the Sherman Act extraterritorially.[124] A federal court has extraterritorial subject matter jurisdiction under the *Alcoa* "intended effects" test if the foreign activity sought to be restrained was intended to affect U.S. foreign commerce and did have such an effect.[125] The Ninth Circuit, in *Timberlane Lumber Co. v. Bank of America*,[126] determined that the *Alcoa* "effects" test was inadequate.[127] Instead of deciding extraterritorial jurisdiction under the Sherman Act based solely on effects, the *Timberlane* court's landmark ruling incorporated international comity considerations into the jurisdictional analysis by establishing a tripartite test for jurisdiction, where the first two criteria were derived from the *Alcoa* "effects" test and the third level of the test was a comity-based balancing of foreign and U.S. interests.[128]

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119. Lillian V. Blageff, *Primer on International Litigation*, 3 L. OF INT'L TRADE § 99:1 (2016).

120. *See Mannington Mills, Inc.*, 595 F.2d at 1291–92; Friedler, *supra* note 61, at 187.

121. 221 U.S. 106 (1911).

122. *See* Friedler, *supra* note 61, at 187.

123. 148 F.2d 416 (2d Cir. 1945).

124. *See id.* at 443–45.

125. *See id.* at 443–44.

126. 549 F.2d 597 (9th Cir. 1976).

127. *See* Curotto, *supra* note 71, at 582.

128. James M. Grippando, *Declining to Exercise Extraterritorial Antitrust Jurisdiction on Grounds of International Comity: An Illegitimate Extension of the Judicial Abstention Doctrine*, 23 VA. J. INT'L L. 395, 406–07 (1983); *see also* Blageff, *supra* note 119 ("Comity is

F. The Third Circuit's Creation of a Comity Abstention Doctrine Contributed to the Confusion Surrounding Extraterritorial Jurisdiction Under the Sherman Act

There was uncertainty surrounding extraterritorial jurisdiction under the Sherman Act at the time that *Mannington Mills, Inc.* was decided.[129] The courts were struggling to develop a test for determining such jurisdiction.[130] Extraterritorial jurisdiction under the Sherman Act had been "extremely broad" under the *Alcoa* "effects" test,[131] but there was an emerging trend toward the incorporation of comity considerations into such jurisdictional decisions.[132]

The Third Circuit went against this emerging trend. It formulated a new test for applying the Sherman Act extraterritorially,[133] and this new test was "much different" than the test in *Timberlane.*[134] First, the Third Circuit, "[i]n no uncertain terms, . . . reaffirmed *Alcoa*'s reasoning as the litmus test for jurisdiction"[135] and used the *Alcoa* "effects" test as the sole consideration for the finding of jurisdiction in *Mannington Mills, Inc.*[136] After finding that it had jurisdiction, however, the Third Circuit then remanded the case for a consideration of comity factors along the lines of the *Timberlane* test.[137] The court purportedly adopted the jurisdictional analysis employed in *Timberlane,* but the approach that the *Mannington Mills, Inc.* court actually took seemed to be based on a misinterpretation of the *Timberlane* jurisdictional test.[138] In the *Timberlane* approach, international comity considerations were part of the test to determine if the court had jurisdiction, whereas the international comity considerations in *Mannington Mills, Inc.* were part of an abstention test to determine if the court should exercise its jurisdiction.[139] The *Mannington Mills, Inc.* court was the first court to

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the principle that states should recognize and enforce rights created by other states, provided that such recognition does not prejudice the state or its subjects.").

129. *See* Weinberg, *supra* note 57, at 241.

130. Friedler, *supra* note 61, at 185.

131. Kamei, *supra* note 81, at 519.

132. *See* Curotto, *supra* note 71, at 586 ("[The comity factors of complexity of the lawsuit, the seriousness of the charges, and the recalcitrant attitude of the defaulter] were adopted by the appellate court.")

133. *See* Friedler, *supra* note 61, at 195.

134. Curotto, *supra* note 71, at 585.

135. Chung, *supra* note 78, at 395.

136. *See* Curotto, *supra* note 71, at 584.

137. *See* Chung, *supra* note 78, at 395.

138. *See* Friedler, *supra* note 61, at 192, 196.

139. Edward T. Swaine, *Cooperation, Comity, and Competition Policy: United States, in* COOPERATION, COMITY, AND COMPETITION POLICY 3, 10 (Andrew T. Guzman ed., 2011) ("*Mannington Mills, Inc.* . . . indicated that comity analysis was not part of a threshold

suggest that international comity was an abstention doctrine in the realm of international antitrust law and thereby created a new test for applying the Sherman Act extraterritorially.[140] Moreover, the court adopted its own list of relevant comity factors to supplement the list of factors set forth in *Timberlane*.[141]

The creation of a new comity abstention doctrine in *Mannington Mills, Inc.* by the Third Circuit likely resulted in even more confusion surrounding the already volatile issue of extraterritorial jurisdiction under the Sherman Act at the time. The imprecise following of the *Timberlane* court's approach in cases such as *Mannington Mills, Inc.* "caused further uncertainty among foreign businesses and continued foreign disapproval."[142] The Third Circuit's comity abstention doctrine was out of line with prior antitrust cases because a finding of the existence of jurisdiction in all international antitrust cases prior to *Mannington Mills, Inc.*, in the absence of a recognized abstention doctrine, had implied a mandatory extraterritorial application of the antitrust law.[143] Even though the Third Circuit, which purportedly adopted *Timberlane*'s jurisdictional analysis, probably intended to support *Timberlane*'s argument for the incorporation of comity considerations into decisions about extraterritorial application of the Sherman Act, the Third Circuit's creation of a new comity abstention likely undermined *Timberlane*'s argument instead.

The argument in the *Mannington Mills, Inc.* opinion for a new comity abstention doctrine as part of a test for extraterritorial application of the Sherman Act was itself a weak argument. The reinstating of the "effects" test weakened the Third Circuit's argument because several standards for that test had emerged.[144] The *Mannington Mills, Inc.* opinion was further weakened by the fact that it did not have the full support of all three judges. Judge Adams wrote a concurring opinion in *Mannington Mills, Inc.* strongly advocating against the

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inquiry into whether the conduct fell within the Sherman Act, but instead was more of a discretionary factor according to which courts could abstain from proceedings."). In an article summarizing the holding of his prior opinion in *Mannington Mills, Inc.*, Judge Weis acknowledged that the comity considerations prescribed in that opinion were part of an abstention doctrine separate from the extraterritorial jurisdiction analysis. *See* Joseph F. Weis, Jr., *The Federal Rules and the Hague Conventions: Concerns of Conformity and Comity*, 50 U. PITT. L. REV. 903, 926, n.118 (1989) (observing of *Mannington Mills, Inc.*, the "district court had jurisdiction over antitrust suit for activities performed abroad, but erred in exercising jurisdiction without first evaluating factors counseling against federal court intervention").

140. *See* Friedler, *supra* note 61, at 195.

141. *See* Curotto, *supra* note 71, at 584–85.

142. *Id.* at 583.

143. Friedler, *supra* note 61, at 197, n.84.

144. *See* Weinberg, *supra* note 57, at 242.

creation of the comity abstention doctrine.[145] The weakness of the *Mannington Mills, Inc.* opinion was displayed when, in a case decided the same year as *Mannington Mills, Inc.*, the court in *Dominicus Americana Bohio v. Gulf and Western Industries, Inc.*[146] left unresolved the issue of which test to use from *Mannington Mills, Inc.* for extraterritorial application of the Sherman Act: the majority's test or the concurrence's test.[147]

G. The Act of State Doctrine Was the More Practical Choice

From a practical standpoint, the Third Circuit would have been wiser to use the act of state doctrine rather than its new, self-created comity abstention doctrine. The act of state doctrine and comity abstention doctrine would have achieved essentially the same effect.[148] However, these two doctrines achieve this effect in different ways. The act of state doctrine automatically bars the exercise of jurisdiction, whereas the Third Circuit's comity abstention doctrine from *Mannington Mills, Inc.* "allows either the exercise of or abstention from that jurisdiction," depending upon the outcome of an extensive inquiry into comity considerations.[149] In formulating its new comity abstention doctrine, the Third Circuit considered the "realities of international commerce,"[150] but it does not appear as though the court considered the reality of its new test's cumbersomeness or the practical limits of the judiciary's competency for handling such a test.

The act of state doctrine was a more practical choice because the Third Circuit's comity abstention doctrine was too complex from the start. International comity doctrine in general "is not tightly formulated; instead it is a highly discretionary interest-balancing inquiry."[151] The comity abstention doctrine was similar to and based on the jurisdictional test in *Timberlane*, which has been described as "cumbersome, often indeterminate, conducive to lengthy and expensive

145. *See* 595 F.2d 1287, 1299 (3d Cir. 1979) (Adams, J., concurring) (arguing that comity considerations "are properly . . . weighed at the outset when the court determines whether jurisdiction vel non exists . . . .").

146. 473 F. Supp. 680 (S.D.N.Y. 1979).

147. *See* Weinberg, *supra* note 57, at 262; *see also* 473 F. Supp. at 687–88.

148. Kamei, *supra* note 81, at 517 ("[A] court applying the *Mannington* 'comity' doctrine can achieve the same effect as would be achieved by applying the act of state doctrine . . . .").

149. *See id.* at 516.

150. *Mannington Mills, Inc.*, 595 F.2d at 1297.

151. 2 HERBERT HOVENKAMP ET AL., IP AND ANTITRUST: AN ANALYSIS OF ANTITRUST PRINCIPLES APPLIED TO INTELLECTUAL PROPERTY LAW §41.2a3(A) (2d ed. 2009).

discovery, and thus burdensome to both litigants and courts."[152] Furthermore, *Mannington Mills, Inc.* appeared to suggest that a separate balancing analysis was needed for each of the twenty-six countries involved in the transaction.[153] In contrast, the act of state doctrine allowed for much more efficient use of judicial resources.

The act of state doctrine was also a more practical choice because the judiciary is ill equipped to analyze international comity factors. The competence of judges "to evaluate the diplomatic, national security, and international economic issues raised by the factors [of the *Timberlane* test]," on which the comity abstention doctrine in *Mannington Mills, Inc.* is based, is questioned by domestic and foreign judges.[154] It does not help that the most important factors are also the most difficult to judge.[155] When a court has to weigh domestic interests versus foreign law specifically intended to thwart those domestic interests, it is almost impossible to balance the interests, and the judiciary, which is "limited in its ability to make a well-reasoned analysis of complicated international policy initiatives,"[156] is not the proper forum for balancing such interests.[157] An analysis of the comity factors to be considered as part of the comity abstention doctrine in *Mannington Mills, Inc.* includes many areas that are completely outside the scope of judicial inquiry and within the scope of agencies, legislative committees, and the executive branch.[158]

H. Hindsight is 20/20

It is a well-understood phenomenon that the merit of a court's decision can often be better critiqued through a retrospective analysis of the effects of the decision and the judiciary's reception of the decision, as the wisdom or folly of a court's decision is usually not immediately evident. In the case of *Mannington Mills, Inc.*, hindsight shows that the Third Circuit's decision to formulate a new comity abstention doctrine

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152. 1A PHILIP E. AREEDA & HERBERT HOVENKAMP, ANTITRUST LAW: AN ANALYSIS OF ANTITRUST PRINCIPLES AND THEIR APPLICATION ¶ 273c2, at 383 (2d ed. 2000).

153. *See* 2 HOVENKAMP ET AL., *supra* note 151, at §41.2a1, n.24; *Mannington Mills, Inc.*, 595 F.2d at 1298 ("Although the plaintiff would prefer to have the matter resolved as a unitary one, that cannot be done when the individual interests and policies of each of the foreign nations differ . . . .").

154. Joseph P. Griffin, *Possible Resolutions of International Disputes Over Enforcement of U.S. Antitrust Laws*, 18 STAN. J. INT'L L. 279, 295 (1982).

155. *See* Weinberg, *supra* note 57, at 260–61.

156. James S. McNeill, Comment, *Extraterritorial Antitrust Jurisdiction: Continuing the Confusion in Policy, Law, and Jurisdiction*, 28 CAL. W. INT'L L. J. 425, 439 n.127 (1998).

157. *See* Laker Airways Ltd. v. Sabena, 731 F.2d 909, 948–50 (D.C. Cir. 1984).

158. Chung, *supra* note 78, at 400.

rather than utilize the act of state doctrine was perhaps the wrong choice. For example, the creation of the comity abstention doctrine by the Third Circuit has not had a profound effect on extraterritorial application of the Sherman Act. There is little to distinguish the results of cases like *Mannington Mills, Inc.*, which anguish over comity, from the cases purporting to apply a straight "effects" test.[159] The type of multifactor approach used in *Mannington Mills, Inc.* to deal with the application of the Sherman Act to anticompetitive activities outside the United States "faded from the antitrust scene in the face of congressional action to clarify the reach of the Sherman Act, and Supreme Court opinions dealing with the reach of the Sherman Act, which, for the most part, did not employ this approach."[160]

Furthermore, the Third Circuit's holding in *Mannington Mills, Inc.* that the act of state doctrine does not apply to the granting of foreign patents has not been well received by the courts. Though there have been some critics of applying the act of state doctrine to foreign patent cases, "the application of the doctrine to patents has survived the criticism to date," as courts still use the act of state doctrine to explain their abstention from deciding the validity of foreign patents.[161] In a recent case, the Federal Circuit did not bar the application of the act of state doctrine from to foreign patents but rather "relied heavily on the argument that foreign patent claims cannot be entertained by courts in the United States because of the act of state doctrine."[162] *Mannington Mills, Inc.* is cited mostly as an outlier to show that not *all* courts have chosen to apply the act of state doctrine to foreign patents.[163]

The insignificant impact of the comity abstention doctrine created in *Mannington Mills, Inc.* and the judiciary's hesitancy to adopt the *Mannington Mills, Inc.* court's holding regarding the nonapplicability of the act of state doctrine to foreign patents both support the argument in this Note that the Third Circuit should have employed the act of state doctrine rather than create its new comity abstention doctrine. Hindsight is, after all, 20/20.

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159. 2 HOVENKAMP ET AL., *supra* note 151, at §41.2a1, n.21.

160. Franklin A. Gevurtz, *Determining Extraterritoriality*, 56 WM. & MARY L. REV. 341, 394–95 (2014) (internal citations omitted).

161. TRIMBLE, *supra* note 73, at 43–44.

162. *Id.* at 67.

163. *See, e.g., id.* (citing *Mannington Mills v. Congoleum Corp.*, 595 F.2d 1287 (3d Cir. 1979), as an example that "[n]ot all courts agree that the act of state doctrine applies to foreign patents").

IV. POTENTIAL INFLUENCES ON THE THIRD CIRCUIT'S DECISION TO CREATE THE NEW COMITY ABSTENTION DOCTRINE RATHER THAN USE THE ACT OF STATE OF DOCTRINE

One possible explanation for why the Third Circuit chose to create a new comity abstention doctrine rather than employ the established act of state doctrine could be that the court was seeking to shape the changing landscape of extraterritorial jurisdiction under the Sherman Act. By providing its new comity abstention doctrine, the Third Circuit might have sought to offer U.S. courts another means of limiting the application of the Sherman Act abroad. At the time that *Mannington Mills, Inc.* was decided, there was an emerging trend of limiting extraterritorial application of the Sherman Act through incorporation of comity considerations into those jurisdictional decisions.[164] By creating a comity abstention doctrine, the Third Circuit may have intended to support this trend toward comity considerations by, for example, supporting the *Timberlane* approach on which the comity abstention doctrine was purportedly based.[165]

The Third Circuit may have sought to limit extraterritorial jurisdiction under the Sherman Act to ease tensions between the United States and foreign countries over extraterritorial reach of U.S. laws. It is conceivable that, in creating a comity abstention doctrine, the Third Circuit's intentions were to deter foreign countries from taking retaliatory measures in response to U.S. courts exercising broad extraterritorial jurisdiction under the Sherman Act. Some foreign countries had indeed already taken such retaliatory measures.[166]

Another potential influence on the Third Circuit's decision might have been a bias that favored extraterritorial jurisdiction under the Sherman Act. It has been argued that "[b]ecause of the highly discretionary nature of the subject matter jurisdiction characterization, its application inherently biases courts' extraterritoriality analyses."[167] This inherent across-the-board bias purportedly makes "the extraterritoriality analysis unduly outcome determinative, in favor of applying the federal antitrust laws extraterritorially."[168]

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164. *See* Curotto, *supra* note 71, at 586–87.

165. *See* 595 F.2d at 1297.

166. *See, e.g.*, Curotto, *supra* note 71, at 592. The United Kingdom enacted the Protection of Trading Interests Act in 1980 to create a disincentive to the extraterritorial reach of various foreign laws. *See id.*

167. John A. Trenor, Comment, *Jurisdiction and the Extraterritorial Application of Antitrust Laws After* Hartford Fire, 62 U. CHI. L. REV. 1583, 1607 (1995).

168. *Id.*

The Third Circuit's opinion in *Mannington Mills, Inc.* supports the hypothesis that courts favored extraterritorial application of the Sherman Act. By creating and employing the comity abstention doctrine, the Third Circuit at least gave Mannington Mills a chance to have its complaint heard. If the Third Circuit would have decided that the act of state doctrine was applicable in this case, then Mannington Mills' complaint would have been automatically dismissed. Moreover, the likelihood of dismissal was much lower under the *Mannington Mills, Inc.* approach to abstention than it would have been under the *Timberlane* approach because under the *Mannington Mills, Inc.* approach, "[o]nly a strong foreign nation interest [would have] suffice[d] for dismissal."[169]

CONCLUSION

This Note tells the story of a case that is very unique and complex both in its history and its legal doctrine. By implicating antitrust law and patent law in a global context, given the legal landscape at the time, Mannington Mills, Inc. created a perfect storm of extraterritoriality, and this Note argues that the Third Circuit should have foregone the creation of a new comity abstention doctrine and instead applied the act of state doctrine to foreign patents. The grant of a patent should have been deemed an act of state, and the Third Circuit should have appropriately employed the act of state doctrine to protect foreign patent validity from an extension of Walker Process.[170] The Third Circuit failed to provide sufficient reasoning for not applying the act of state doctrine to Congoleum's foreign patents. Additionally, the newly created comity abstention doctrine led to further confusion of the matter of extraterritorial jurisdiction under the Sherman Act. The act of state doctrine was also a better choice than the comity abstention doctrine on the bases of practicality and hindsight.

Two potential explanations for the Third Circuit's choice to create a comity abstention doctrine and not apply the act of state doctrine to foreign patents are that the Third Circuit may have sought to use Mannington Mills, Inc. to shape the changing landscape of extraterritorial jurisdiction under the Sherman Act and that there existed an inherent bias by the courts in favor of extraterritorial application of the Sherman Act.

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169. Curotto, *supra* note 71, at 591.

170. Walker Process Equipment, Inc. v. Food Mach. & Chemical Corp., 382 U.S. 172 (1965).